

# Income Tax Act , 1961 Income from Salary

By  
Prasanna Tambe  
Chartered Accountant



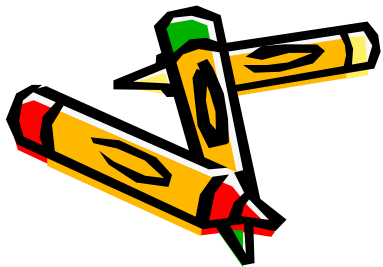
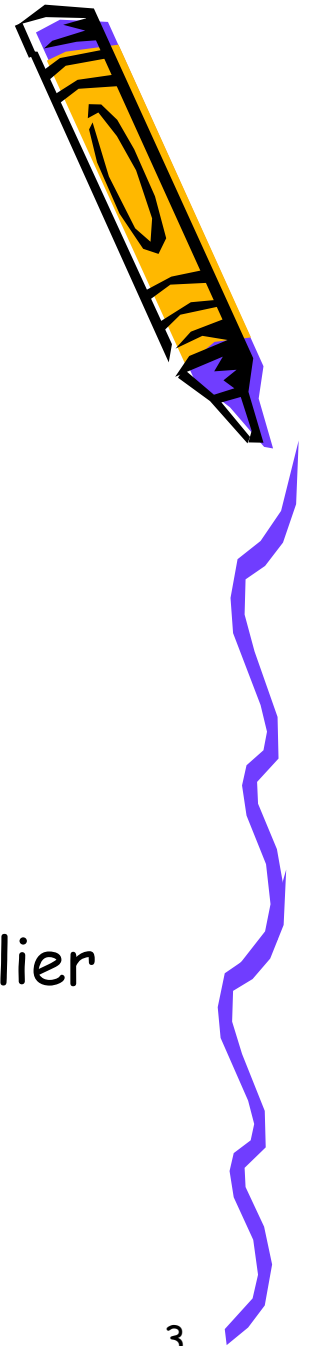
# Income from Salary

## Sec 15 Scope of income

- Salary due from the present or past employer
- Salary paid or allowed by present or past employer or other person on their behalf
- Arrears of Salary paid or allowed by present or past employer or other person on their behalf

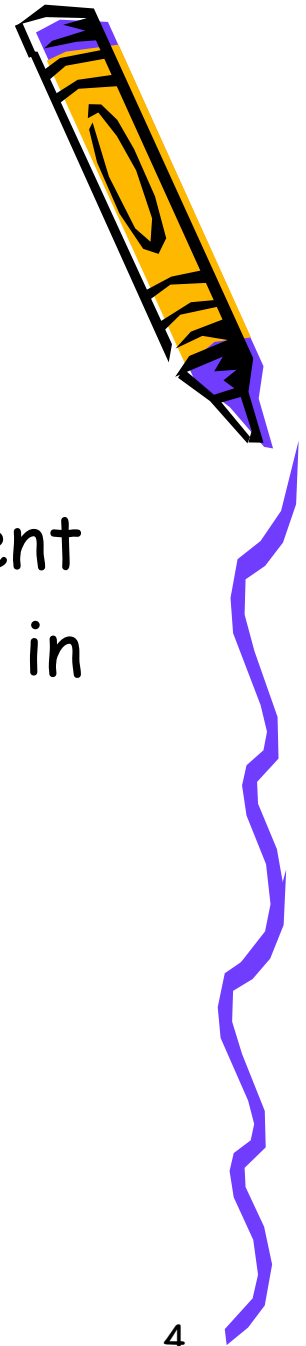


- Employer-employee relationship
- Frequency of payment
- Includes wages, allowances, perks, retirement benefits
- Salary from more than one source
- Surrender of salary
- Tax free salary
- Taxed on accrual or receipt , whichever is earlier



# As per Sec 17(1) Salary includes

- Wages
- Annuity or pension
- Gratuity
- Fees, commission, perquisites, profits in addition to salary
- Advance salary
- Leave encashment
- Items referred in Sec 7



# As per Sec 17(2) Perquisite includes

- Value of rent free accommodation
- Value of concession in respect of rent of accommodation
- Value of any benefit or facility in case of specified employees
- Payment towards personal obligation
- Payment towards life insurance contracts
- ESOP/Sweat equity

Contribution to approved SAF > 100,000 pa

Value of prescribed fringe benefits

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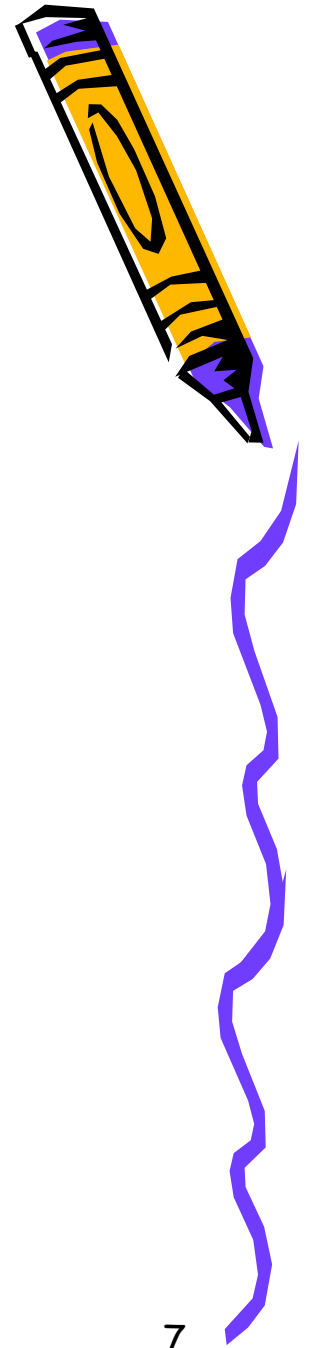
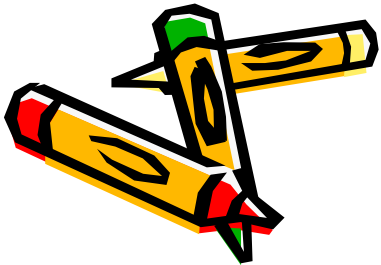
# Tax treatment of Perquisites - Medical facilities

- Exemptions
- Hospital maintained by employer
- Reimbursement of hospitalisation expenses for a Govt hospital or recognised hospital
- Medical insurance
- Reimbursement of medical expenses upto Rs.15,000
- Medical treatment abroad s.t. conditions



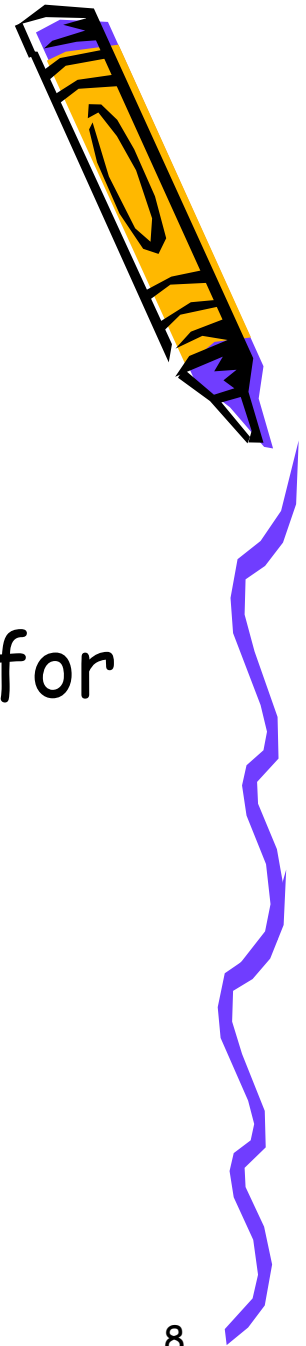
## Non-Taxable perquisites

- Refreshment during working hours
- Free food coupons s.t. limits
- Use of telephones
- Use of computers
- Health club/sports facilities
- Group transport facility
- Car facility for official use
- Training, seminars etc
- Business Travel
- Sale of goods at concession
- Group insurance
- Common recreational facilities



# Taxable perquisites for specified employees

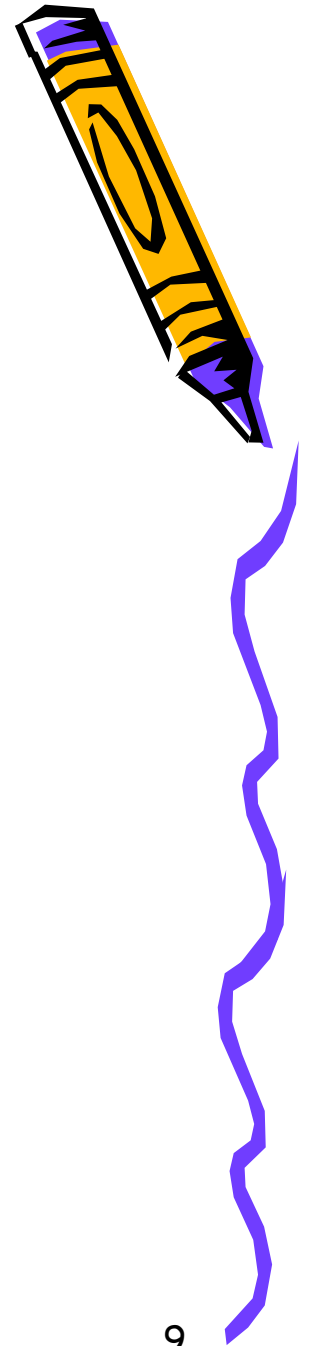
- Service of sweeper , watchman , gardener
- Supply of gas , electricity , water for domestic use
- Education facility for family members





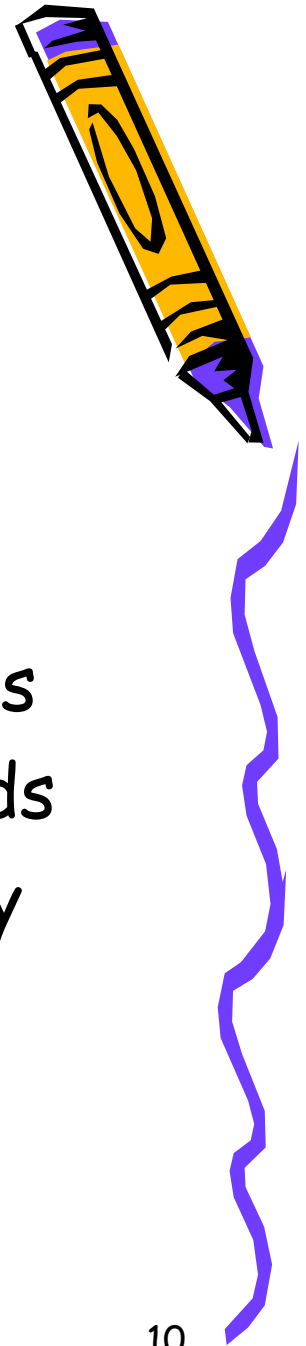
## Taxable perquisites in case of all employees

- Payment by employer for personal obligation
- Furnished/unfurnished house
- Interest free/concessional loans exceeding Rs.20,000 except for medical purpose
- Use of movable asset other than laptops



# As per Sec 17(3) Profits in lieu of or addition to salary includes

- Compensation on termination of employment or modification of its terms
- Payments from retirement benefit funds
- Receipts under Keyman Insurance Policy



# Deductions from Salary

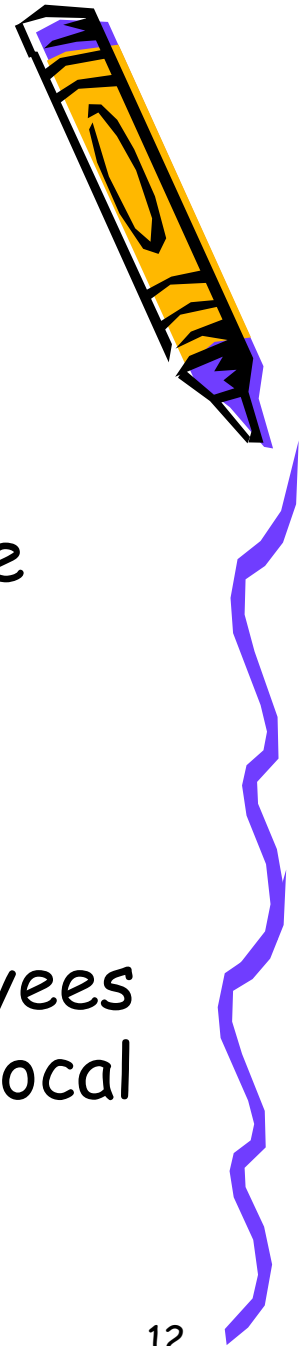
- Sec 16(ii) Entertainment allowance
- Sec 16(iii) Tax on employment



# Exemptions u/s Sec 10

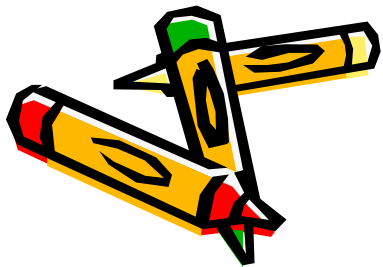
- Sec 10(5) Leave travel concession
  - ✓ Actual expenses on travel while on leave for self & family
  - ✓ Twice in block in block of 4 years
- Sec 10(10) Gratuity

Full exemption in case of Govt employees including Central/State Govt., local authority & defence



## Employees covered by Payment of Gratuity Act, 1972

- ✓ Actual amount received
- ✓ Rs.10,00,000
- ✓ 15 days salary for every completed year of service or part thereof > 6M
- ✓ Salary means last drawn salary including basic & DA

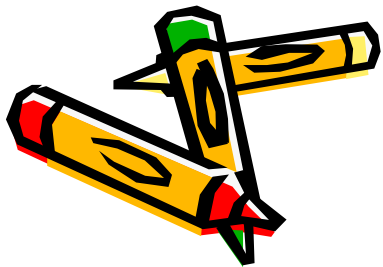
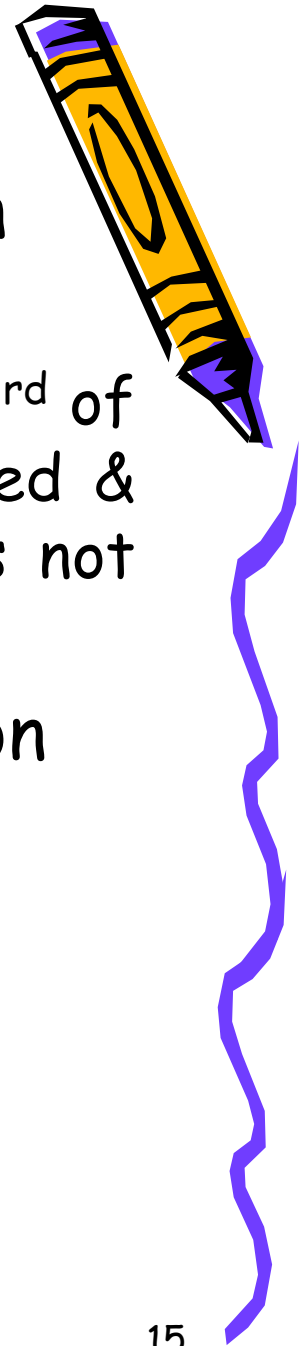


## Other Employees

- ✓ Actual amount received
- ✓ Rs.10,00,000
- ✓  $\frac{1}{2}$  month's salary for every completed year of service
- ✓ Salary means average salary for 10 mts preceding month of retirement
- ✓ Salary includes basic, DA to be included if part of retirement benefits, Commission based on fixed % of turnover



- Sec 10(10A) Commuted value of pension
  - ✓ Full exemption in case of Govt employees
  - ✓ For Other employees exemption equals to 1/3<sup>rd</sup> of normal commuted value if gratuity is received & 1/2 of normal commuted value if gratuity is not received
- Sec 10(10B) Retrenchment compensation
  - ✓ Full exemption if scheme approved by Govt.
  - ✓ In other cases, amount payable as per IDA s.t.max of Rs.500,000

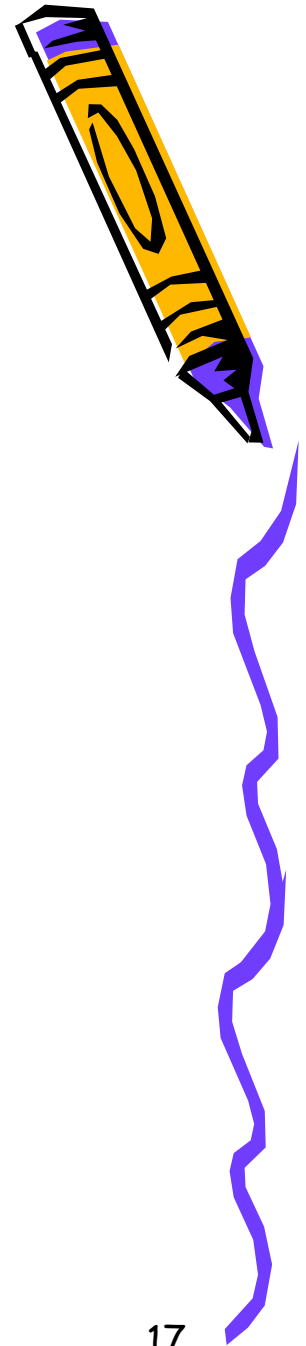


- Sec 10(10C) VRS compensation
  - ✓ Employees of specified employers
  - ✓ Max limit Rs.500,000
- Sec 10(11) Payment from statutory / notified PF
- Sec 10(12) Payment from RPF

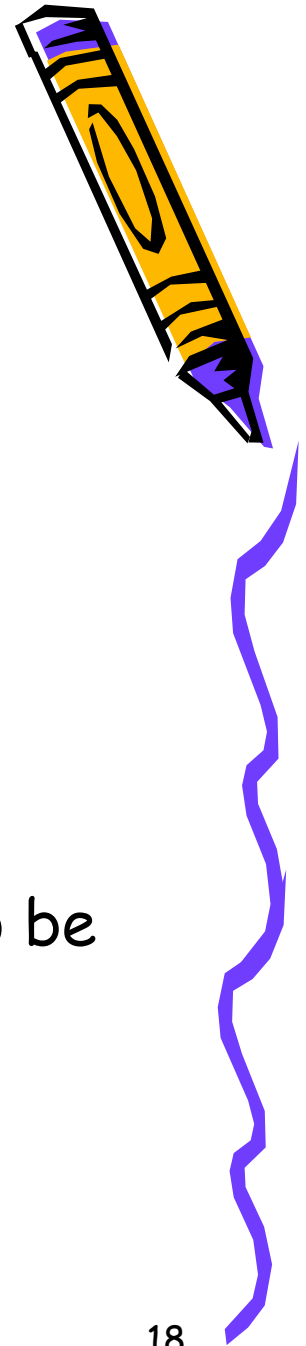




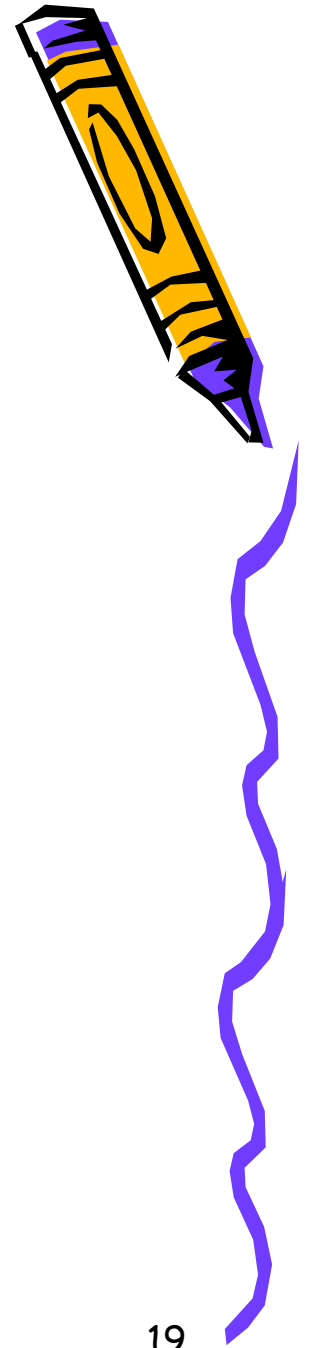
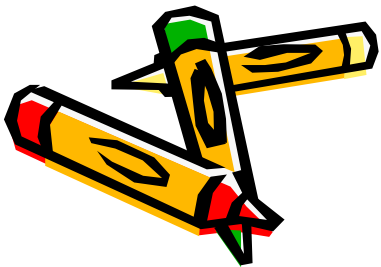
- Sec 10(13A) House rent allowance
- Exemption is lower of
  - ✓ 50% or 40% of salary based on location
  - ✓ HRA for period when rental house is occupied
  - ✓ Rent paid less 10% of salary
  
- Sec 10(14) Special allowance



- Sec 10(10AA) Leave encashment
  - For non govt employees exemption is lower of
  - Actual amount recd
  - 10 months salary\*
  - Amount due for unutilised leave\*\*
  - Limit of Rs.300,000
- \*basic +DA if part of retirement benefits+ commission as % of t/o
- \*\* max leave 30 days per year, fraction of year to be ignored



THANK YOU



by CA Prasanna M. Tambe